U.S./Canada Horticultural Trade Under Liberalization: A Brief Summary

The United States and Canada began eliminating import tariffs and other restrictions to trade when the U.S./Canada Free Trade Agreement (FTA) was implemented in 1987. The accord was expanded in 1994 to include Mexico with the implementation of the North America Free Trade Agreement (NAFTA). Since then, trade in horticultural products between the United States and Canada has expanded significantly. U.S. and Canadian fruit and vegetable industries, as well as consumers, have benefited from new market opportunities offered by lower tariffs, elimination of import licenses, and the development of a more transparent business environment. Canada today continues to be the top export market for U.S. horticultural products. Likewise, the United States is the main destination for Canadian fruit and vegetable exports. Although the balance of horticultural trade between the two countries continues to favor the United States, the U.S. surplus is narrowing.

U.S. Exports to Canada

Canada remains key market for U.S. horticultural exports; Northern demand for U.S. fresh produce continues strong

Canada continues to be the leading customer for U.S. exports of horticultural products. Increasing steadily since the U.S./Canada FTA was established in 1987, U.S. horticultural exports to Canada reached a record $3.3 billion in calendar year 2001, almost a third of the value of U.S. global horticultural shipments last year. Fresh fruits, tree nuts, and fresh vegetables comprise nearly half the value of all U.S. horticultural exports to Canada. Citrus, grapes, and strawberries are the leading U.S. fresh fruits demanded by Canadians. Shelled almonds, pecans, and walnuts are the major tree nuts exported. Top U.S. fresh vegetable sales to Canada include lettuce, tomatoes, and potatoes.

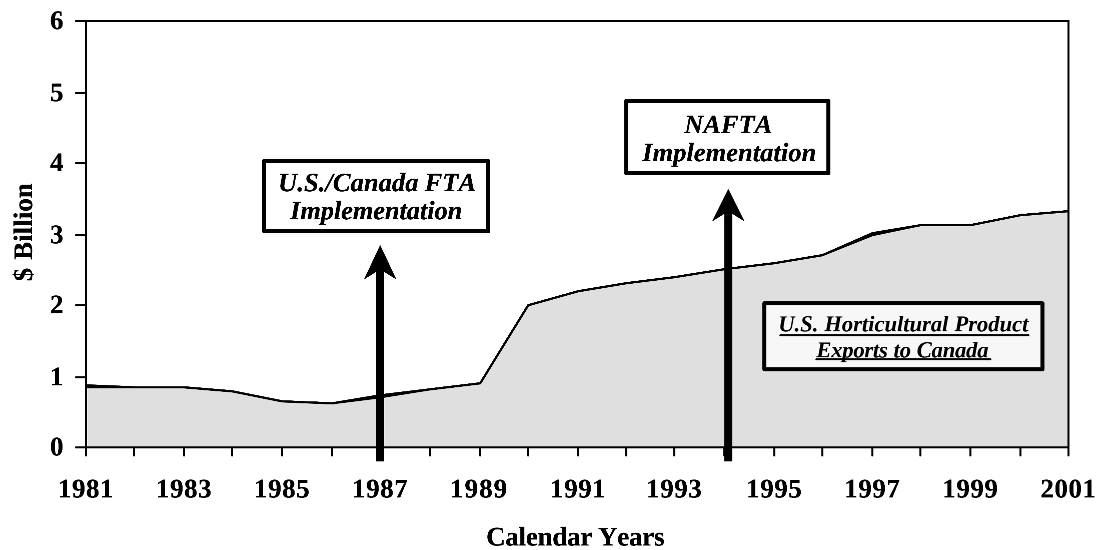
Top U.S. Horticultural Exports to Canada
Calendar Years, Rank by 2001 Export Value
1,000 Dollars

Product	Rank	1995	1996	1997	1998	1999	2000	2001	Change 2000-01
Lettuce	1	$137,011	$109,999	$129,551	$134,899	$131,053	$157,223	$155,753	-1
Fresh Citrus	2	$146,610	$149,373	$157,087	$157,034	$108,133	$129,314	$137,500	6
Orange Juice	3	$120,108	$120,369	$124,258	$132,513	$132,639	$126,471	$125,375	-1
Tomatoes	4	$98,411	$93,592	$108,703	$107,409	$104,097	$121,249	$114,959	-5
Table Grapes	5	$117,508	$110,283	$121,756	$102,033	$117,117	$113,466	$106,771	-6
Potatoes	6	$80,344	$78,213	$79,033	$81,918	$75,223	$82,669	$85,498	3
Wine	7	$47,833	$64,246	$69,209	$80,748	$83,761	$90,778	$82,246	-9
Strawberries	8	$51,078	$52,112	$57,726	$57,365	$71,243	$79,208	$81,739	3
Carrots	9	$36,366	$35,534	$44,343	$52,213	$60,148	$61,764	$70,994	15
Peppers	10	$43,794	$47,142	$53,241	$54,010	$57,630	$65,994	$68,708	4
Grand Total		$879,063	$860,863	$944,907	$960,142	$941,044	$1,028,136	$1,029,543	0

More than 50 percent of Canada's import demand for fresh fruits and nuts originate in the United States. The Canadian market accounted for 30 percent of the value of U.S. global shipments of fruits in 2001. Chile, Mexico, and Costa Rica are the major competitors to U.S. fruits going to Canada, although with much smaller import market shares. On the other hand, U.S. tree nuts exports to Canada were valued at practically $110 million last year, or 10 percent of the global value of U.S. tree nut exports. Almonds, pecans, and walnuts combined account for around 60 percent of all U.S. nut shipments to Canada.

U.S. Horticultural Exports to Canada
Have Benefited from Free Trade

Exports Reached a Record $3.3 Billion in CY 2001



Source:U.S. Bureau of the Census

Canada is the largest market for U.S. fresh vegetable exports. In 2001, with a value of nearly $900 million, Canada imported more than 70 percent of U.S. global vegetable exports. Moreover, the United States supplies about 80 percent of the Canadian fresh vegetable import market. Lettuce, with nearly a 20-percent share, is the top U.S. vegetable exported to Canada. Fresh tomatoes and potatoes follow, accounting for 15 percent and 10 percent of all vegetable sales to Canada, respectively.

Following years of increases, U.S. wine exports to Canada decreased in 2001

Canada is the United States second largest market for wine and wine products. In 2001, U.S. wine exports to Canada were valued at $95 million, about 20 percent of global exports and almost twice the value exported in 1993, just before NAFTA implementation. The reduction in tariffs, due to NAFTA, has been crucial in keeping exports to Canada up in the face of a strengthening U.S. dollar and increasing competition from both traditional European regions and new world wines from Australia, Chile, and Argentina.

However, despite the zero tariff levels under NAFTA, several barriers within the market exist that continue to hinder trade. Some of these include; cost-of service mark-ups, discriminatory marketing regulations, warehousing and delivery requirements, and bottle size restrictions. In addition, a new plan to manage alcoholic beverage purchases in Quebec, a major wine consuming province, is being implemented and reviewed and could result in increased costs to U.S. suppliers.

All U.S. Exports of Horticultural Products to Canada
Calendar Years, Rank by 2001 Export Value
1,000 Dollars

Product	Rank	1995	1996	1997	1998	1999	2000	2001	Change 2000-01
Fresh Vegetables	1	$645,453	$593,611	$672,423	$693,009	$691,833	$788,723	$801,410	2
Miscellaneous Fruits & Vegetables	2	$337,966	$403,504	$494,811	$532,803	$548,153	$525,981	$527,577	0
Fresh Deciduous Fruits	3	$283,801	$287,687	$308,281	$277,218	$294,973	$296,842	$303,312	2
Fruit & Vegetable Juices	4	$207,686	$227,368	$246,565	$259,158	$274,186	$272,101	$268,287	-1
Canned Vegetables	5	$189,783	$206,784	$213,176	$230,458	$231,126	$223,260	$241,501	8
Essential Oils	6	$80,413	$92,200	$99,010	$97,703	$118,096	$140,546	$152,254	8
Other Fresh Fruits	7	$88,486	$85,970	$94,791	$98,207	$117,935	$133,650	$139,566	4
Fresh Citrus	8	$146,610	$149,373	$157,087	$157,034	$108,133	$129,314	$137,500	6
Tree Nuts	9	$85,056	$91,639	$87,952	$96,382	$105,062	$109,022	$109,416	0
Nursery Products	10	$82,991	$79,165	$87,404	$93,595	$92,406	$96,755	$97,666	1
Wine & Wine Products	11	$54,149	$72,188	$77,429	$89,576	$96,417	$104,876	$93,943	-10
Fresh Melons	12	$68,546	$67,865	$70,115	$73,693	$75,500	$79,471	$82,239	3
Fresh Potatoes	13	$70,594	$68,016	$67,414	$69,986	$62,524	$68,538	$72,446	6
Frozen Vegetables	14	$31,680	$39,401	$51,522	$56,826	$54,574	$58,199	$62,353	7
Dried Vegetables	15	$43,901	$48,118	$52,283	$50,119	$47,757	$47,885	$52,664	10
Dried Fruits	16	$51,633	$47,666	$48,179	$49,108	$49,970	$49,365	$48,450	-2
Canned Fruits	17	$25,868	$29,363	$34,583	$38,726	$42,769	$40,164	$34,377	-14
Miscellaneous Prepared Fruits	18	$20,904	$20,510	$23,655	$24,278	$23,858	$29,663	$32,843	11
Frozen Fruits	19	$22,615	$25,072	$25,254	$31,896	$32,386	$34,747	$32,348	-7
Cut Flowers	20	$18,048	$18,556	$23,377	$25,196	$26,624	$28,193	$29,757	6
Hops	21	$9,296	$10,336	$11,113	$8,452	$7,129	$5,941	$6,378	7
Olives	22	$3,665	$4,149	$3,916	$3,508	$3,568	$3,322	$2,882	-13
Ginseng	23	$1,732	$1,640	$1,480	$1,530	$2,109	$1,456	$1,137	-22
Grand Total		$2,570,876	$2,670,180	$2,951,818	$3,058,462	$3,107,088	$3,268,014	$3,330,305	2

Source of Data: U.S. Dept. of Commerce, Bureau of Census

Nevertheless, the USDA's Market Access Program has contributed to the long-term export growth of U.S. wines in the Canadian market. Wine export promotion programs have focused on California, through the California Wine Institute; Oregon and Washington, through the Northwest Wine Promotion Coalition; and New York through the New York Wine and Grape Foundation.

U.S. Imports from Canada

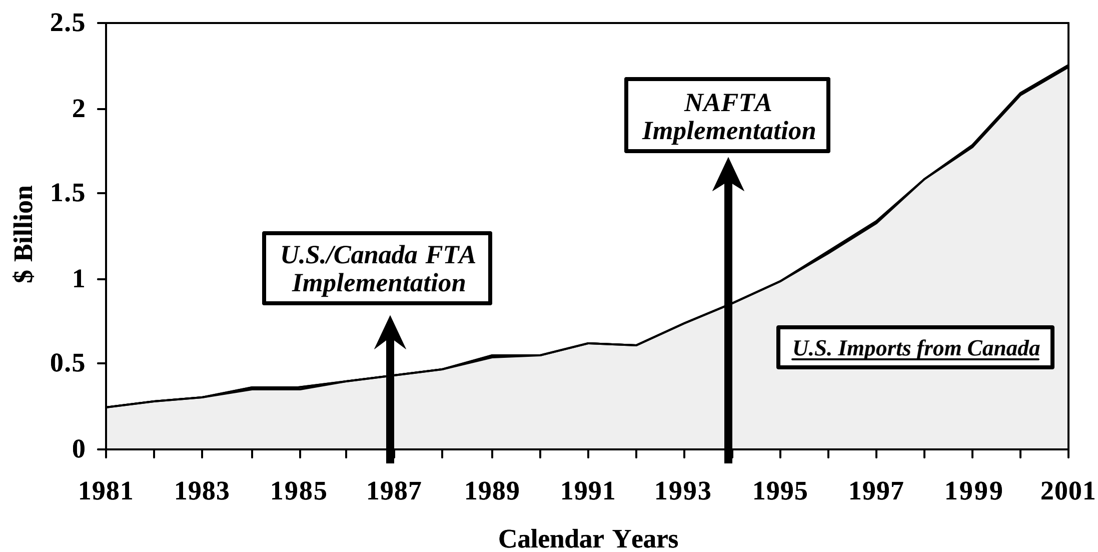
U.S. imports of Canadian fruits and vegetables continue to rise; processed products remain the lead horticultural group.

The United States buys more than 70 percent of Canada's global exports of horticultural products. Processed fruits and vegetables are the main products shipped to the United States, accounting for about 30 percent of the value of all U.S. horticultural imports from Canada. For example, U.S. frozen vegetable imports from Canada have tripled since 1994. Total U.S. imports of Canadian frozen vegetables were valued at more than $430 million in 2001. Frozen potato fries are the leading frozen vegetable item the United States imports from Canada. U.S. imports of Canadian frozen potato fries have increased steadily since 1994, reaching a record $382 million in 2001. Nevertheless, bilateral trade in potatoes and potato products between the United States and Canada continues to be marked by several sensitive issues.

Likewise, U.S. imports of canned vegetables from Canada were valued at nearly $90 million in 2001, 7 times the value imported prior to 1994. After Canada, Mexico and Brazil supply most of the U.S. demand for imported processed fruits and vegetables.

Trade Liberalization Has Boosted U.S. Imports of Canadian Horticultural Products

Imports Reached a Record $2.2 Billion in CY 2001



Source:U.S. Bureau of the Census

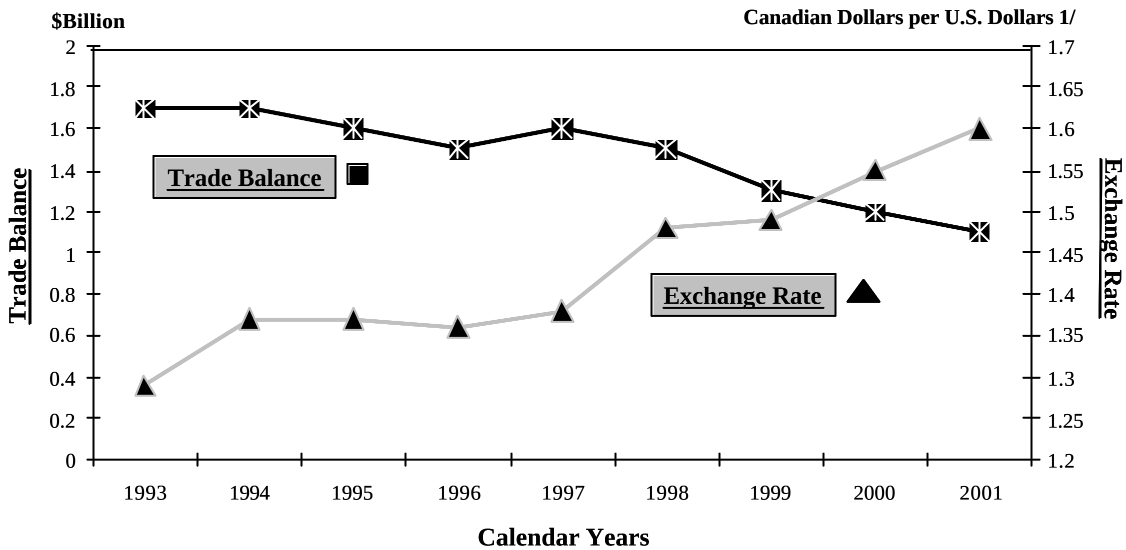
U.S. horticultural trade surplus with Canada is narrowing

While U.S. and Canada horticultural trade has increased substantially, the United States has maintained a surplus. However, the U.S. horticultural trade surplus with Canada is narrowing. In 2001, the U.S. horticultural surplus with Canada totaled $1.1 billion compared to $1.7 billion registered in 1993, the year prior to NAFTA implementation. A stronger U.S. dollar vis-à-vis the Canadian dollar has been in part accountable for the diminishing trend in the value of the trade surplus the United States has with Canada.

Nevertheless, viewed in relative terms, the United States continues to maintain a very strong position in Canada. Canada, with a population of about 32 million people, and a current average per capita GDP of approximately $25,000, imported $105.48 per capita of U.S. horticultural products in 2001. The same year, the United States, with a population of nearly 280 million people and a per capita GDP of over $36,000, posted per capita imports of horticultural products from Canada of $8.07.

U.S. Horticultural Trade Surplus with Canada Continues to Narrow

A Stronger U.S. Dollar vis-à-vis the Canadian Dollar is an Important Factor



1/ Exchange rate in nominal value
Source:U.S. Bureau of the Census and Classic Currency Converter.

Some U.S.-Canada Trade Issues

Canada's restrictions on bulk imports

Canada's regulations prohibit bulk shipments of some fresh fruits and vegetables under certain circumstances. The regulation applies to both imported and domestic produce. The Canadian Food Inspection Agency, however, grants waivers (also known as "ministerial exemptions") for bulk imports when local supplies are insufficient to meet domestic fresh or processing demand.

The U.S. potato industry has expressed its concern for years concerning Canada's bulk limitations. Nevertheless, Canada remains an important market for U.S. fresh potatoes, with exports valued at $72 million in 2001.

Recently, the New York apple industry also raised the issue of Canadian bulk restrictions. For apples, however, U.S. growers from New York have reportedly not had problems shipping golden apple varieties to Canada. This is principally due to the fact that the Canadians do not grow a lot of the golden varieties. However, over the years, apple growers from New York have had problems getting red apple varieties into Canada, primarily during times when supplies of red varieties in Canada are plentiful. Overall, there has never been reported an instance of a ministerial bulk exemption being denied during times when supplies of red apple varieties or any other fresh products in Canada were short.

U.S. Imports of Horticultural Products from Canada
Calendar Years, Rank by 2001 Import Value
In 1,000 U.S. Dollars

Product	Rank	1995	1996	1997	1998	1999	2000	2001	Change 2000-01
Miscellaneous Fruits & Vegetables	1	384,042	428,344	449,710	487,268	531,556	585,827	656,980	12
Frozen Vegetables	2	129,962	165,486	234,155	295,913	346,868	412,570	437,162	6
Fresh Vegetables	3	81,951	107,924	151,679	222,953	258,703	333,962	386,434	16
Nursery Products	4	128,433	153,112	185,420	226,304	246,765	279,554	307,906	10
Canned Vegetables	5	35,459	39,340	50,994	65,926	77,407	74,462	88,971	19
Fresh Potatoes	6	56,574	89,946	64,423	96,757	89,211	77,051	67,059	-13
Wine & Wine Products	7	912	1,398	2,443	3,575	23,471	48,488	63,075	30
Other Fresh Fruits	8	39,550	34,253	31,850	54,313	47,471	47,165	53,152	13
Frozen Fruits	9	14,564	23,302	28,315	31,909	35,808	42,378	46,991	11
Canned Fruits	10	19,268	12,744	18,929	19,573	22,444	26,494	34,177	29
Fruit & Vegetable Juices	11	14,567	26,662	47,723	18,442	25,878	22,524	25,803	15
Fresh Deciduous Fruits	12	24,520	30,916	25,611	22,408	23,787	24,256	22,436	-8
Essential Oils	13	33,128	18,109	16,904	18,477	16,519	20,136	18,371	-9
Dried Vegetables	14	5,607	7,181	9,549	9,922	10,070	17,291	17,110	-1
Miscellaneous Prepared Fruits	15	8,092	7,353	4,867	4,453	6,605	6,233	7,388	19
Tree Nuts	16	1,912	2,151	3,126	2,470	3,213	3,362	6,515	94
Cut Flowers	17	2,522	2,570	3,496	3,006	3,033	3,028	2,939	-3
Dried Fruits	18	213	122	119	104	516	450	1,316	192
Ginseng	19	819	1,554	1,391	2,188	909	1,781	896	-50
Fresh Melons	20	37	87	11	6	43	46	282	508
Olives	21	39	2	1	63	23	57	5	-92
Fresh Citrus	22	6	3	0	63	8	0	0	N/A
Hops	23	564	213	394	0	2	0	0	N/A
Grand Total		982,742	1,152,772	1,331,112	1,586,091	1,770,309	2,027,113	2,244,969	11

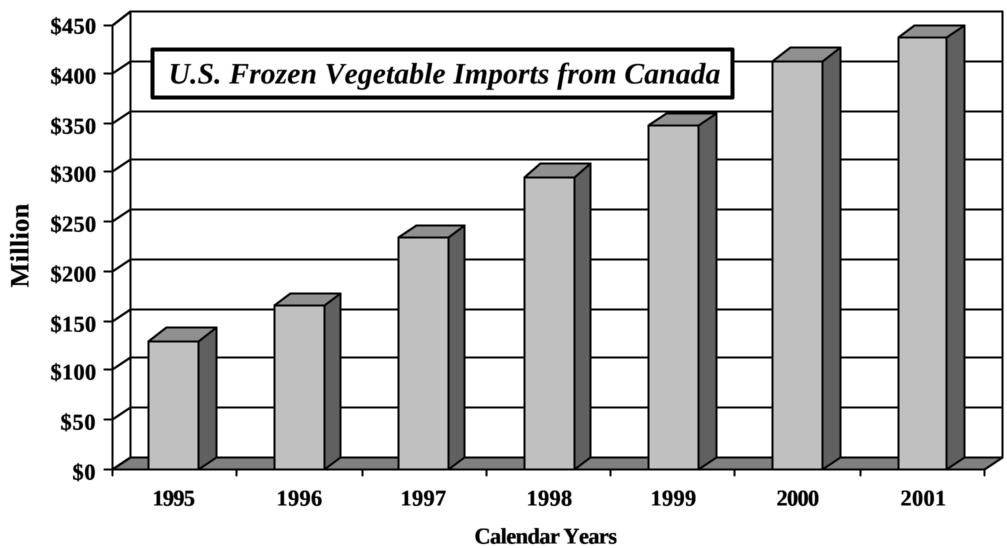
Source of Data: U.S. Dept. of Commerce, Bureau of Census

U.S-Canadian tomato trade disputes

Fresh vegetable trade between Canada and the United Sates has faced many challenges. Regarding tomato trade, both sides have recently been involved in anti-dumping cases, which were resolved. On March 28, 2001, several U.S. hothouse tomato-producing firms jointly filed with the U.S. International Trade Administration (ITA) an anti-dumping petition against Canadian hothouse tomatoes. The U.S. industry alleged that greenhouse tomatoes from Canada were being sold in the United Sates at less than fair value. On February 20, 2002, the ITA announced its final determination that Canada sold their product below fair value in the U.S. market. Final anti-dumping margins, from 1.53 percent to 18.21 percent, were imposed on Canadian hothouse tomatoes going to the United States. However, on April 2, 2002, the U.S. International Trade Commission issued a final negative determination on the issue of injury to the U.S. industry from imports of greenhouse tomatoes from Canada. This negative determination effectively terminated the case against the Canadian product.

Frozen Vegetables are the Main Processed Horticultural Product the United States Imports from Canada

Frozen potato fries are the leading component



Source:U.S. Bureau of the Census

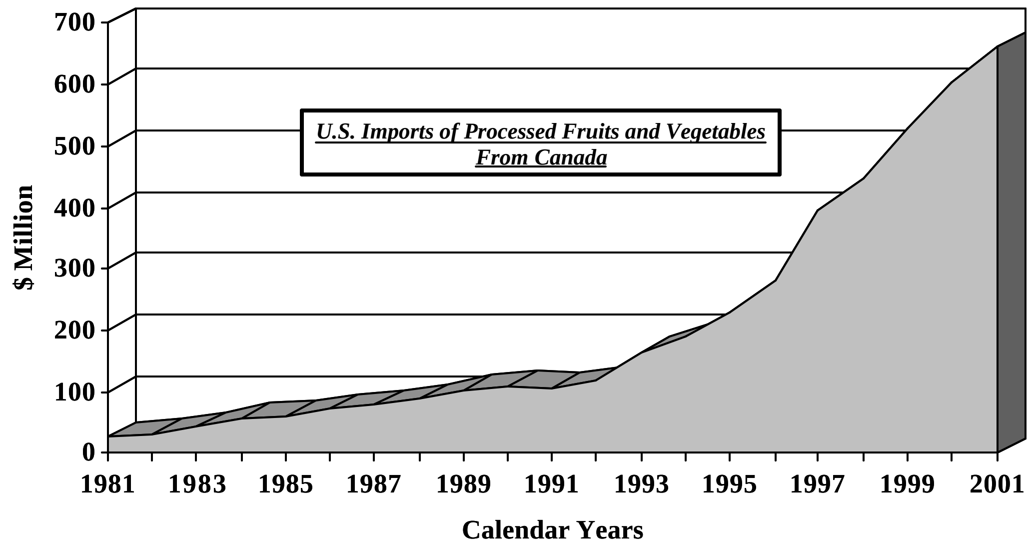
For its part, in response to the U.S. antidumping complaint, the Canadian Tomato Trade Alliance filed a complaint against imports of U.S. field tomatoes on June 28, 2001. The industry group alleged the United States was dumping field tomatoes in the Canadian market and, as such, damaging its domestic industry. On November 9, 2001, the Canada Customs and Revenue Agency (CCRA) initiated an antidumping investigation against U.S. fresh field tomatoes (mostly from Florida and California) going to the Canadian fresh market. On March 25, 2002, CCRA announced provisional duties of up to 71 percent on imports of fresh tomatoes from the United States, excluding tomatoes for processing.

On June 26, 2002, the Canadian International Trade Tribunal issued its finding that the dumping of fresh tomatoes from the United States had not caused material injury to the domestic industry. This negative determination brought the case to a close.

U.S. exports of fresh tomatoes, mostly field grown, to Canada in 2001 were valued at $108 million, down 5 percent from 2000. U.S. imports of greenhouse tomatoes from Canada in calendar year 2001 totaled 58,524 metric tons valued at $96 million, up 21 percent in volume and 23 percent in value. U.S. imports of Canadian greenhouse tomatoes represent 52 percent of total greenhouse tomatoes imported into the United States during this period.

U.S. Imports of Canadian Processed Fruits and Vegetables Increasing Sharply

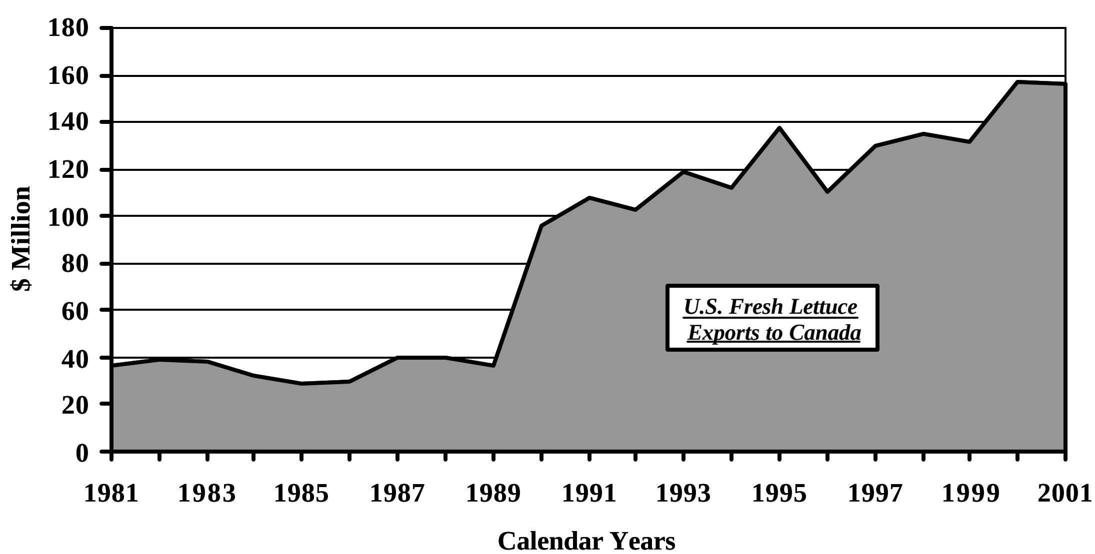
Canada Supplies a Third of U.S. Imports of Processed Fruits & Vegetables



Source:U.S. Bureau of the Census

Lettuce is the Leading Fresh Vegetable the United States Exports to Canada

Accounts for About 20% of U.S. Fresh Vegetable Sales to Canada



Source:U.S. Bureau of the Census

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